



Reporting Employee Daily Meals Expense Compensation

Per IRS Publication 5137 – Fringe Benefit Guide, reimbursements received by an employee who travels on business outside of the area of his/her tax home (defined in IRS Publication 5137) may be excludable from wages. Qualifying expenses for travel are excludable if they are incurred for temporary travel on business away from the general area of the employee's tax home. To be excludable as reimbursements, the travel must be temporary and be substantially longer than an ordinary day's work, **requiring an overnight stay or substantial sleep or rest.**

For a reimbursement of an expense for business travel to be excludable from income, including meals and lodging, a taxpayer must travel "away from home" in the pursuit of business on a temporary basis. The statutory phrase "away from home" has been interpreted by the U.S. Supreme Court to require a taxpayer to travel overnight, or long enough to require substantial "sleep or rest"). Thus, merely working overtime or at a great distance from the taxpayer's residence does not create an exclusion for reimbursements for travel expenses if the taxpayer returns home without spending the night or stopping for substantial "sleep or rest."

Effective 7/1/2018, State agencies must follow the *Travel Policies for State Employees* outlined in the [State Budget Manual](#) to reimburse/pay employee travel expenses. If the Department Secretary or Agency Head elects to allow employee reimbursement of breakfast and/or dinner meals for day travel when employees are not in overnight travel status, these reimbursements **MUST** be processed through the State's payroll system to ensure withholding of taxes for meal compensation.


Please use the following directions for further guidance:

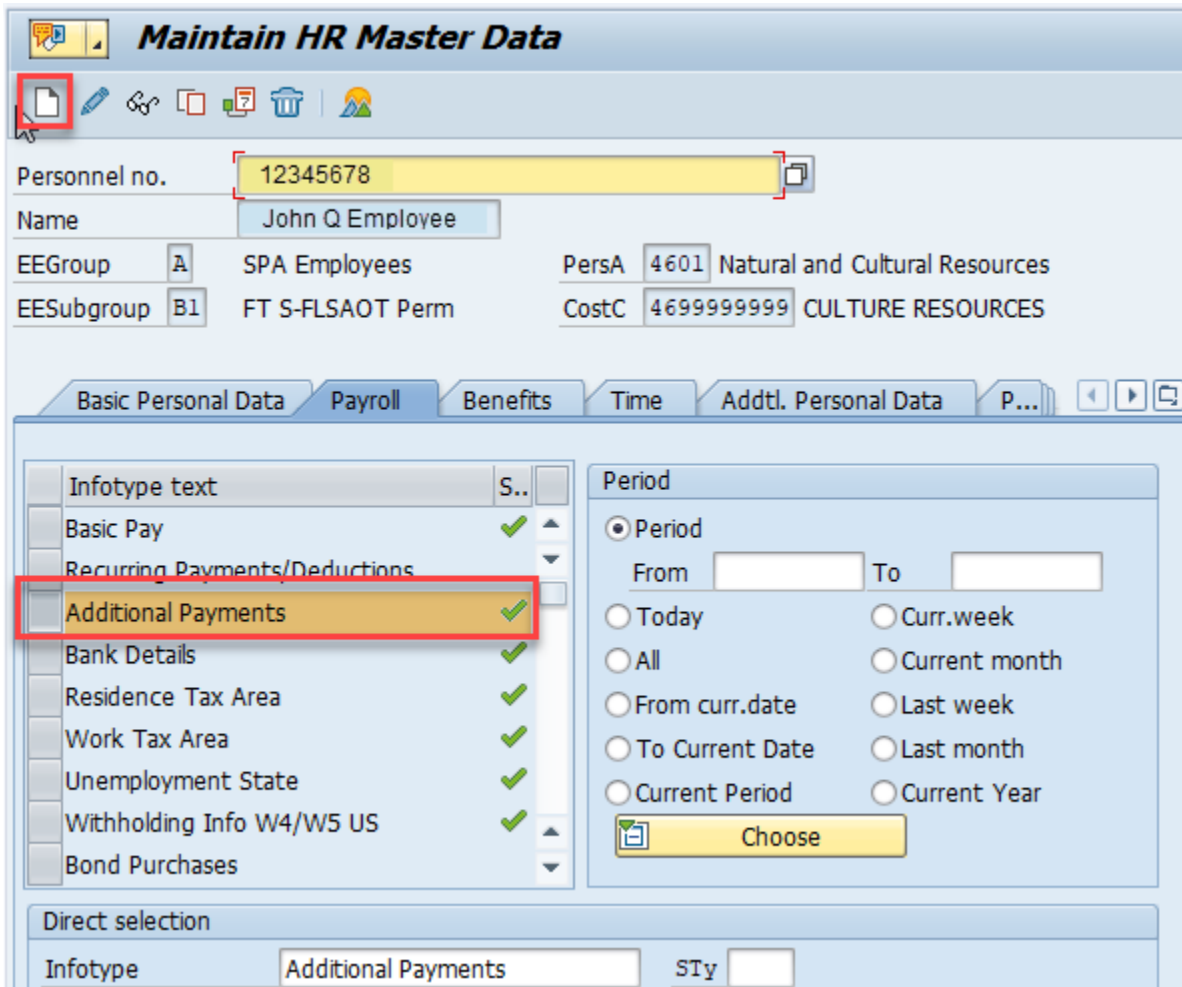
Any daily meal compensation associated with non-overnight travel and that is permissible to be reimbursed, must be entered in the Integrated HR-Payroll system using wage type 2535. This wage type will pay the employee the authorized meal reimbursements per the approved taxable expense reimbursement form and withhold the appropriate taxes.

Any taxable daily meals reimbursed, in error, through the accounts payable system must be processed using the wage type 2535 – Meals taxable, non-reimbursable in the Integrated HR-Payroll System. These meals are subject to employment tax withholding and reporting. The wage type 26AC (agency check) needs to be entered for the same amount as the taxable meals. This wage type will reimburse the agency the amount of the taxable meals. The wage type 26AC will post to Salary and Wages. The agency will need to create a journal entry to move the entry to the account that the meals were paid from. The entry of wage type 26AC will also prevent the employee from receiving additional compensation. Appropriate taxes for the meals will be withheld from the employee's earnings.

REPORTING EMPLOYEE DAILY MEALS EXPENSE COMPENSATION

Procedure

1. Go to transaction **PA30** (Maintain Master Data File).
2. Enter **Employee Identification Number** (PERNR).
3. Select **Additional Payments Infotype** (IT0015) under the Payroll Tab.
4. Click the **Create (F5)**  button. The Additional Payments screen displays.



Maintain HR Master Data

Personnel no. 12345678

Name John Q Employee

EEGroup A SPA Employees PersA 4601 Natural and Cultural Resources

EESubgroup B1 FT S-FLSAOT Perm CostC 4699999999 CULTURE RESOURCES

Basic Personal Data Payroll Benefits Time Addtl. Personal Data P...

Infotype text S..

Basic Pay ✓

Recurring Payments/Deductions

Additional Payments ✓

Bank Details ✓

Residence Tax Area ✓

Work Tax Area ✓

Unemployment State ✓

Withholding Info W4/W5 US ✓

Bond Purchases

Period

Period

From To

Today Curr.week

All Current month

From curr.date Last week

To Current Date Last month

Current Period Current Year

Choose

Direct selection

Infotype Additional Payments STy

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5. Complete Infotype IT0015 (Additional Payments). Enter the following data:
 - Wage type
 - Dollar amount
 - Date of origin
6. Click or press **Save** to return to the initial screen.
7. Repeat process for additional wage types if necessary.

The screenshot shows the SAP 'Create Additional Payments (0015)' form. At the top, there is a toolbar with a green checkmark icon, a dropdown menu, and a blue floppy disk icon (Save) which is highlighted with a red box. Below the toolbar, the form title 'Create Additional Payments (0015)' is displayed. The form contains several input fields for employee data: Personnel No (12345678), Name (John Q Employee), EEGroup (A), SPA Employees, PersA (4601), Natural and Cultural Resources, EESubgroup (B1), FT S-FLSAOT Perm, and Statu (Active). Below this, the 'Additional Payments' section contains the following fields: Wage Type (2535, highlighted with a red box), Amount (35.62, highlighted with a red box), USD (checked), Ind.val. (unchecked), Number/unit (empty), Date of origin (09/15/2018, highlighted with a red box), Default Date (empty), Assignment Number (empty), and Reason for Change (empty).

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The meals expense amounts display in the *Total Other Pay* section of the remuneration statement.

Pay Period: 09/01/2018 through 09/30/2018				Name: John Q Employee		Personnel No: 80001242	
Check Date: 09/28/2018				Organization: 4601-Natural and Cultural Resources			
	Earnings	Deductions	Taxes	Net Pay	Deductions	Current	YTD
Current:	2,489.37 -	848.94 -	615.06 =	1,025.37			
YTD:	22,119.37 -	7,611.98 -	5,455.08 =	9,052.31	COCs	600.00	5,400.00
					STL	248.94	2,211.98
Earnings		Hours	Current	YTD	** Total Other Deductions	848.94	7,611.98
Regular Salary			2,453.75	22,083.75	Total Deductions	848.94	7,611.98
** Total Base Pay			2,453.75	22,083.75			
Meals Taxable			35.62	35.62			
** Total Other Pay			35.62	35.62			
Total Earnings			2,489.37	22,119.37			
Tax Authority	Tax Type	Status	EXMT AddlAmt	Cur Tax	YTD Tax	Cur Txbl Earn	YTD Txbl Earn
Federal	Withholding	Single	5.00	311.63	2,761.95	2,489.37	22,119.37
Federal	Social Security			154.34	1,371.40	2,489.37	22,119.37
Federal	Medicare			36.09	320.73	2,489.37	22,119.37
North Carolina	Withholding	Single	5.00	113.00	1,001.00	2,489.37	22,119.37
Total Taxes				615.06	5,455.08		



Information

For additional assistance in keying data in IT0015, reference the business process procedure on one-time payments and deductions located on the OSC Training > Help Documents website.

https://www.osc.nc.gov/state-agency-resources/training/training_help_documents